

Cooch Behar Mission Hospital (P) Ltd

March 29, 2019

Summary of rating action

Instrument*	Previous Rated Amount (Rs. Crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based Limits - Term Loan	34.49	25.49	[ICRA]B- (Stable); reaffirmed
Unallocated Limits	0.51	9.51	[ICRA]B- (Stable); reaffirmed
Total	35.00	35.00	

*Instrument details are provided in Annexure-1

Rationale

The reaffirmation of the rating continues to consider the company's exposure to project execution and funding risks as a significant portion of the total project is still pending. The rating is also impacted by the sizeable debt service obligations of the company compared to its current cash accruals, which is likely to keep its cash flows under pressure in the near term, at least. The company also remains exposed to geographical concentration risks with presence in a single location, accentuated further by competition from other hospitals operating in the catchment area. Besides, recruitment and retention of good doctors by CBMH would remain key challenges.

The rating, however, positively considers the favourable demand outlook of the healthcare industry in the long term, and long experience of one of the promoters as a doctor, which mitigates operational risks to an extent.

Outlook: Stable

The Stable outlook reflects ICRA's expectation that the company will benefit from the favourable demand outlook of the healthcare industry in the long term. The outlook may be revised to Positive if CBMH is able to increase the occupancy level of the hospital, scale up its operation and infuse funds to support the capital expenditure, strengthening the financial profile. The outlook may be revised to Negative if revenues and profitability are lower than expected, weakening its liquidity position.

Key rating drivers

Credit strengths

Favourable demand outlook of the healthcare industry in the long term – The long-term demand outlook of the healthcare industry remains favourable on the back of a significant demand-supply gap in the country's healthcare service sector and an increasing trend of medical tourism in India.

Long experience of one of the promoters as a doctor – Dr. Nirmal Palit, one of the promoters of CBMH, is an established doctor having long experience, which mitigates the operational risks of the company to an extent.

Credit challenges

Exposed to execution and funding risks– The hospital was scheduled to commence its operations in April 2012, however, the project execution was delayed and the hospital is operating with 100 beds against the planned capacity of 136 beds. It is expected to take another two years to complete the entire project, which exposes CBMH to execution risk. In addition, the company has to arrange for required funding to complete the project within the timeline.

Sizeable debt service obligations likely to keep its cash flows under pressure – The company has sizeable debt-service obligations compared to its current cash accruals, which is likely to keep its cash flows under pressure in the near term at least.

Presence in a single location exposes the company to asset and geographical concentration risks – The company operates a single hospital in Cooch Behar, West Bengal, which exposes it to significant asset and geographical concentration risks.

Recruiting and retaining good doctors remain key challenges – Given the current small scale of operations and limited medical infrastructure, CBMH is likely to face challenges in recruiting and retaining good doctors, which would remain important to attract patients.

Liquidity position

The liquidity position of the company continues to remain stretched. ICRA notes that CBMH has sizeable debt-service obligations compared to its current cash accruals. Further the company has significant capital expenditure in the near to medium term, which would keep its cash flows under pressure and make it dependent on external funding.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology
Parent/Group Support	Not applicable
Consolidation/Standalone	Standalone financial statement

About the company

Established in 2007, CBMH is in the process of setting up a 136-bedded multi-specialty hospital in Cooch Behar, West Bengal. One of the promoters of the company, Dr. Nirmal Palit, has a long experience as a doctor. CBMH commenced commercial operation with 20 beds in November 2014. At present, the hospital is operating with 100 beds. However, a significant portion of the proposed infrastructure of the hospital is yet to be developed.

Key financial indicators (audited)

	FY2017	FY2018
Operating Income (Rs. crore)	10.48	13.90
PAT (Rs. crore)	0.05	0.21
OPBDIT/ OI (%)	30.38%	24.27%
RoCE (%)	25.61%	31.41%
Total Debt/ TNW (times)	1.72	1.54
Total Debt/ OPBDIT (times)	6.61	5.88
Interest Coverage (times)	1.53	1.59

Status of non-cooperation with previous CRA

CRA	Status of non-cooperation	Date of Press Release
CRISIL Limited	Suspended	July 26, 2014

Any other information: None

Rating history for last three years

Instrument	Current Rating (FY2019)				Chronology of Rating History for the past 3 years		
	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore) March 31, 2018	Date & Rating March 2019	Date & Rating in FY2018 September 2017	Date & Rating in FY2017 April 2016	Date & Rating in FY2016 August 2015
1 Term Loan	Long Term	25.49	19.53	[ICRA]B-(Stable)	[ICRA]B-(Stable)	[ICRA]B-	[ICRA]B-
2 Unallocated Limits	Long Term	9.51	-	[ICRA]B-(Stable)	[ICRA]B-(Stable)	[ICRA]B-	[ICRA]B-

Source: Cooch Behar Mission Hospital Private Limited

Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance/ Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan – I	March 2015	-	September 2027	20.00	[ICRA]B- (Stable)
NA	Funded Interest Term Loan	March 2015	-	September 2021	5.49	[ICRA]B- (Stable)
NA	Unallocated Limits	-	-	-	9.51	[ICRA]B- (Stable)

Source: Cooch Behar Mission Hospital Private Limited

Annexure-2: List of entities considered for consolidated analysis: Not applicable

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